

Message Text

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ACTION NEA-07

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FM AMEMBASSY AMMAN

TO SECSTATE WASHDC PRIORITY 4724

C O N F I D E N T I A L SECTION 01 OF 02 AMMAN 0581

LIMDIS

DEPARTMENT PASS AID

E.O. 11652: GDS

TAGS: EAID, ECON, EFIN, EINA, ELAB, JO

SUBJECT: CROWN PRINCE HASSAN'S POSITION PAPERS FOR UPCOMING
VISIT TO WASHINGTON

REF: AMMAN 0561

1. DURING HIS MEETING WITH EMBASSY OFFICIERS ON
JANUARY 16, (REFTEL), CROWN PRINCE HASSAN PROVIDED
AMBASSADOR WITH SEVERAL LENGTHY POSITION PAPERS ON
VARIETY OF ECONOMIC ISSUES. PARAGRAPH #2 BELOW
REPRESENTS INDEX OF ALL SUCH PAPERS CROWN PRINCE
INTENDS TO CARRY TO WASHINGTON (CHIEFLY FOR HIS PRIVATE USE
ONLY). SUBSEQUENT PARAGRAPHS SUMMARIZE PAPERS
NOW AVAILABLE TO EMBASSY. THESE
PAPERS WITH TWO BRIEF PAPERS EMBASSY PRESENTED TOP
CROWN PRINCE DURING JANUARY 16 MEETING ARE BEING
POUCHED TO NEA/ARN FOR MONROE. CROWN PRINCE
CONSIDERS HIS POSITION PAPERS SENSITIVE AND HAS
PROVIDED THEM TO US IN CONFIDENCE. WE REQUEST
THAT DEPARTMENT HANDLE THEM ACCORDINGLY AND NOT REFER
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TO THEM, TO HIM OR HIS STAFF UNTIL HE DOES.
INDEX OF POSITION PAPERS FOR CROWN PRINCE (ASTERISK NOTES
PAPERS SEEN BY EMBASSY)

2. #1. DEMOGRAPHY

2. COST OF PEACE

3. SOCIAL PACKAGE

- #4. ARAB FUND FOR THE WEST BANK
- #5. SPECIALIZED CREDIT INSTITUTIONS
- #6. ILO - ICFF
- 7. IMPACT OF DEVALUATION OF ISRAELI LIRE
ON THE JORDAN DINAR AND WEST BANKERS
- 8. ECONOMIC PERFORMANCE IN 1977
- 9. DEFENCE RESOURCES MANAGEMENT
- 10. EXECUTIVE BRIEF ON:
 - A. JORDAN VALLEY IRRIGATION PROJECT, PHASE II;
 - B. POTASH
 - C. FERTILIZERS;
 - D. SOLAR ENERGY;
 - E. SEMINAR ON THE ROLE OF WOMEN IN THE LABOUR FORCE;
 - F. NATIONAL SCIENCE POLICY FOR JORDAN;
 - G. PRELIMINARY SURVEY ON JORDANIAN BADIA;
 - H. ISRAELI SETTLEMENTS ON THE WEST BANK;
 - I. PRESENT ATTITUDES TOWARDS PEACE IN THE MIDDLE EAST;
 - J. LEGITIMACY OF ISRAELI OCCUPATION OF THE WEST BANK;
 - K. INFLATIONARY PRESSURES IN JORDAN;
 - L. STOCK EXCHANGE MARKET;
 - M. RETAIL INDUSTRY IN JORDAN.

MAPS:

ISRAELI SETTLEMENTS

FIVE YEAR PLAN - ECONOMIC DEVELOPMENT

JORDAN VALLEY IRRIGATION SCHEME, PHASES I & II.

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3. SPECIALIZED CREDIT INSTITUTIONS (SCI'S)
PAPER FIRST DESCRIBES HISTORY, PURPOSES AND
ACTIVITIES OF JORDAN'S SIX SCI'S (SEE ALSO 1976
CENTRAL BANK ANNUAL REPORT AND MONTHLY STATISTICAL
BULLETIN); MUNICIPAL AND VILLAGE LOAN FUND (MVLFF),
MEDIUM AND LONG TERM LOANS AT CONCESSIONAL INTEREST
FOR LOCAL DEVELOPMENT PROJECTS; INDUSTRIAL
DEVELOPMENT BANK (IDB), SHORT, MEDIUM AND LONG
TERM LOANS AT 9 PCT. INTEREST AND VARIOUS
SERVICES FOR DOMESTIC INDUSTRY; HOUSING CORPORATION
(HC), IMPLEMENTS HOUSING PROJECTS ON BEHALF OF
GOJ AND GOJ AGENCIES; AGRICULTURAL CREDIT CORPORA-
TION (ACC), AGRICULTURAL CREDIT FOR SEASONAL,
SHORT AND MEDIUM TERM FOR INPUTS AND LAND RECLAMATION
AT ABOUT 8 PCT; JORDAN COOPERATIVE ORGANIZATION (JCO),
HELPS ESTABLISH AND PROVIDES CREDIT TO VARIETY
OF KINDS OF COOPERATIVES; HOUSING BANK (HB);
FINANCES INDIVIDUAL AND COOPERATIVE HOUSING
PROJECTS, SUBSCRIBES TO CONSTRUCTION RELATED
DEVELOPMENT PROJECTS. LARGEST SOURCE OF SCI
FINANCIAL RESOURCES AT PRESENT IS PAID-UP
CAPITAL AND RESERVES. MOST ALSO BORROW

DOMESTICALLY, PRIMARILY FROM CENTRAL BANK
(50 PCT. OF PRESENT TOTAL SCI BORROWING). SCI
PROBLEMS INCLUDE: LIMITED FINANCIAL RESOURCES
(MVLFF, ACC, AND JCO WILL NEED ADDITIONAL 33
MILLION JD BY 1980) OF INADEQUATE TERM, HIGH
MANAGEMENT COSTS, LACK OF COORDINATION, AND
ADMINISTRATIVE AND PERSONNEL INEFFICIENCY.
PROPOSED ACTION INCLUDES: FINDING NEW SOURCES OF
FUNDS INCLUDING ISSUANCE OF DOMESTIC BONDS, JOINT
AND INDIVIDUAL (SOFT) BORROWING FROM ABROAD, AND
INCREASE IN PAID-UP CAPITAL; RATIONALIZATION OF SCI
FUND USAGE FOR JOINT LENDING AND SCI CONTRIBUTION
TO REGIONAL DEVELOPMENT WITHIN JORDAN AND POOLING
OF PERSONNEL RESOURCES; AND (RECENTLY ACCOMPLISHED)
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ESTABLISHMENT OF DEVELOPMENT CREDIT COUNCIL
CONSISTING OF SCI'S, CENTRAL BANK AND NATIONAL
PLANNING COUNCIL TO POOL SCI RESOURCES, MOBILIZE

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ACTION NEA-07

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C O N F I D E N T I A L SECTION 02 OF 02 AMMAN 0581

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NEW RESOURCES, AND COORDINATE SCI ACTIVITIES ALONG
LINES DESCRIBED ABOVE. (EMBASSY COMMENT --
RATIONALIZATION OF A NATIONAL CREDIT POLICY,

INCLUDING COMMERCIAL BANKS, HAS BEEN SERIOUS AND WORTHY GOAL OF CROWN PRINCE SINCE AT LEAST EARLY 1977. IMPLICIT IN THIS PAPER IS HIS DESIRE TO ENCOURAGE SOCIAL IMPACT ORIENTATION OF SCI'S, REGIONAL DEVELOPMENT OUTSIDE AMMAN AREA, AND INCREASED AND BROADER SCI FUNDING. PAPER, "SOCIAL PACKAGE", NOT YET RECEIVED BY EMBASSY, IS EXPECTED TO EXPAND ON THESE IDEAS AND TO EXPLICITLY INCORPORATE SOCIAL PROJECTS INTO FIVE YEAR PLAN.

4. PAST TRENDS IN THE JORDANIAN ECONOMY

THIS PAPER IS NOT EXPLICITLY INCLUDED IN INDEX PROVIDED BY CROWN PRINCE. IT IS ESSENTIALLY, "ECONOMIC DEVELOPMENT WITHIN THE CONTEXT OF PEACE" OR "DEMOGRAPHY" (ITEM #1) WHICH HE PREVIOUSLY PROVIDED TO US. NEW PAPER IS SLIGHTLY REORGANIZED, AND SOME POINTS MADE IN PREVIOUS PAPER UNDERGO SOME ADDITIONAL ELABORATION. SPECIFICALLY, TWO BRIEF SECTIONS COMPARING "URBANI-CONFIDENTIAL

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ZATION" AND "EDUCATION" IN ISRAEL, WEST BANK, GAZA, AND EAST BANK HAVE BEEN ADDED TO EARLIER PAPER. ATTACHED TO PRESENT PAPER IS SIX-PAGE SUMMARY OF FIVE YEAR PLAN GOALS AND PROGRESS, WHICH INCLUDES STATEMENT THAT, "PEACE WILL ENABLE JORDAN TO TACKLE MORE EFFECTIVELY THE PROBLEMS AND FACTORS AFFECTING NOT ONLY ITS SOCIETY BUT ALSO NEIGHBORING ARAB SOCIETIES. THE SIMILAR SOCIAL CONDITIONS PREVAILING IN JORDAN'S REGION REQUIRE THE CREATION OF A FOCAL POINT OR POINTS UNDER THE CONTROL OF THOSE ARAB SOCIETIES....."

5. PROPOSAL FOR AN INTERNATIONAL LABOR COMPENSATORY FACILITY (ILO-ICFF)

THIS PAPER, ACTUALLY TWO PAPERS, ARISES FROM ADDRESS GIVEN BY HASSAN AT SIXTY-THIRD MEETING OF ILO IN GENEVA IN 1977. ON THAT OCCASION HASSAN PUBLICLY UNVEILED HIS PROPOSAL FOR INTERNATIONAL LABOR COMPENSATORY FACILITY (ILCF). AT ILO, HASSAN SUGGESTED SIMILARITIES BETWEEN CAPITAL AND LABOR TRANSFERS AND PROPOSED THAT LABOR IMPORTING COUNTRIES CONTRIBUTE TO FUND THAT WOULD BE DISPERSED TO LABOR EXPORTING COUNTRIES ON BASIS OF THEIR COSTS INCURRED BY LOSS OF LABOR. PRESENT PAPER MORE SPECIFICALLY SUGGESTS CONSIDERING LABOR EMIGRATION AS A LOAN TO IMPORTING COUNTRY ON WHICH EXPORTING COUNTRY WOULD DRAW "INTEREST". REFERRING TO PRIMARY IMPORTERS OF JORDANIAN LABOR, SAUDI ARABIA AND GULF, JORDANIAN PAPER SUGGESTS THAT EITHER TAX ON

EXPATRIATE WAGES, OR TAX ON EMPLOYERS, OR DIRECT
AID WOULD BE APPROPRIATE. SECOND PAPER,
APPARENTLY WRITTEN BY ILO, CONSIDERS PHILOSOPHICAL
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FRAMEWORK OF HASSAN'S IDEA.

6. A SPECIAL FUND FOR THE WEST BANK
PAPER STATES THAT NEED FOR SPECIAL FUND ARISES,
"WITH THE ABSENCE OF A COORDINATED AND COMPRE-
HENSIVE CAPITAL EXPENDITURES PATTERN IN THE
WEST BANK, AND UNDER THE DISCRIMINATORY POLICIES
OF THE OCCUPYING AUTHORITIES AND THEIR SETTLEMENT
AND LAND CONFISCATION MEASURES, SOCIAL SERVICES
AND FACILITIES IN THE WEST BANK INCLUDING EDUCATION,
HEALTH, HOUSING AND SOCIAL WELFARE DETERIORATE."
IN ADDITION, INFRASTRUCTURE PROJECTS HAVE NOT BEEN
EXPANDED ADEQUATELY. PROPOSED FUND IS TO:
A) BE THE SOLE INSTITUTION RESPONSIBLE FOR DEALING WITH DONORS
FOR DEVELOPMENT PROJECTS IN WEST BANK;
B) FINANCE SOCIAL WELFARE AND ECONOMIC DEVELOPMENT PROJECTS;
AND,
C) BE ESTABLISHED BY JORDANIAN PRIVATE SECTOR WITH
WITH INITIAL CAPITAL OF 5 MILLION JD.

FIRST OF TWO ANNEXES TO PAPER PROVIDES DETAILS OF
COSTS OF VARIOUS SERVICES PROVIDED TO PALESTINIAN
REFUGEES NOW RESIDING ON EAST BANK. SECOND ANNEX
LISTS 1967-1977 FINANCIAL ASSISTANCES PROVIDED
TO WEST BANK FROM EAST BANK OF JORDAN. IN SUMMARY:
(IN JD THOUSANDS)

LOANS BY COMMERCIAL BANKS	2.181#1
FROZEN LOANS BY SCI'S	3.616
GOJ CASH TRANSFERS	5.356
GOJ TRANSFERS FOR SALARIES,	
WAGES AND RENTS	37.703
TOTAL	48.856

#1 INCLUDES HOUSING BANK AND ARAB BANK
(EMBASSY COMMENT -- SEPARATE, RELIABLE SOURCE INDICATES THAT
RECENT GOJ TRANSFERS TO WEST BANK HAVE BEEN RECENTLY IN RANGE
OF 10-12 MILLION JD ANNUALLY. IT IS UNCLEAR HOW IDEA ADVANCED
BY THIS PAPER FITS INTO CURRENT POLITICAL SITUATION ON WEST BANK,
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BUT WE SUPPOSE CROWN PRINCE MAY BE SEEKING TO CHANNEL PRIVATE
AMERICAN ASSISTANCE TO WEST BANK THROUGH JORDAN.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
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TAGS: EAID, ECON, EFIN, EIND, ELAB, OVIP, JO, (HASSAN, PRINCE)
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